

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

January 27, 2003

Mr. Carol Disbro, Director of Reimbursement  
Integrated Health Services, Inc.  
The Highlands  
910 Ridgebrook Road  
Sparks, Maryland 21152

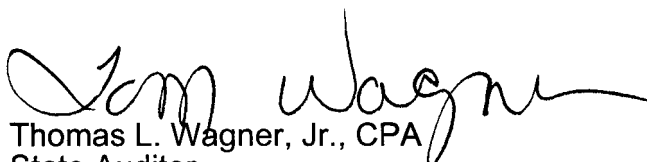
Re: AC# 3-DRF-J8 – Integrated Health Services of Charleston at Driftwood

Dear Mr. Disbro:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**INTEGRATED HEALTH SERVICES OF  
CHARLESTON AT DRIFTWOOD  
NORTH CHARLESTON, SOUTH CAROLINA**

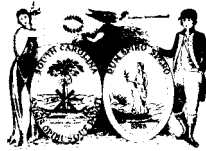
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1999  
AC# 3-DRF-J8**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1999 THROUGH SEPTEMBER 30, 2000	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1998	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

# State of South Carolina



## Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 25, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Integrated Health Services of Charleston at Driftwood, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of Integrated Health Services of Charleston at Driftwood is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

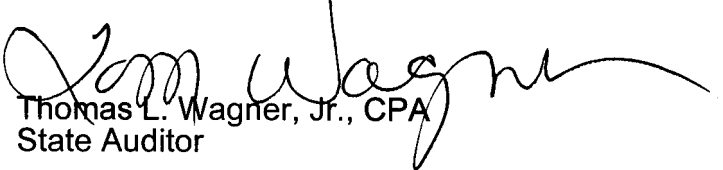
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Integrated Health Services of Charleston at Driftwood, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Integrated Health Services of Charleston at Driftwood dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
October 25, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**INTEGRATED HEALTH SERVICES OF CHARLESTON AT DRIFTWOOD**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 1999  
AC# 3-DRF-J8

	10/01/99- <u>09/30/00</u>
Interim Reimbursement Rate (1)	\$101.42
Adjusted Reimbursement Rate	<u>94.36</u>
Decrease in Reimbursement Rate	\$ <u><u>7.06</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**INTEGRATED HEALTH SERVICES OF CHARLESTON AT DRIFTWOOD**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 1999 Through September 30, 2000  
 AC# 3-DRF-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.77	\$50.88	
Dietary		8.88	9.69	
Laundry/Housekeeping/Maintenance		<u>9.03</u>	<u>8.24</u>	
Subtotal	<u>\$4.82</u>	58.68	68.81	\$58.68
Administration & Medical Records	<u>\$ -</u>	<u>16.61</u>	<u>11.56</u>	<u>11.56</u>
Subtotal		75.29	<u>\$80.37</u>	70.24
<u>Costs Not Subject to Standards:</u>				
Utilities		2.34		2.34
Special Services		1.15		1.15
Medical Supplies & Oxygen		5.30		5.30
Taxes and Insurance		1.99		1.99
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$86.07</u>		81.02
Inflation Factor (3.00%)				2.43
Cost of Capital				7.79
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.07)
CNA Add-On				.75
Nurse Aide Staffing Add-on				<u>.62</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$94.36</u>

# **INTEGRATED HEALTH SERVICES OF CHARLESTON AT DRIFTWOOD**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-DRF-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,516,937	\$ -	\$ 69,319 (2) 49,751 (4) 27,160 (4) 28,918 (5) 6,076 (5) 26,288 (7)	\$2,309,425
Dietary	505,654	-	2,492 (5)	503,162
Laundry	181,281	-	283 (5)	180,998
Housekeeping	219,982	-	1,752 (5)	218,230
Maintenance	112,870	-	504 (5)	112,366
Administration & Medical Records	1,177,429	69,319 (2) 27,160 (4) 24,864 (4) 2,004 (5) 3,858 (5)	363,578 (6)	941,056
Utilities	132,454	-	-	132,454
Special Services	78,830	7,517 (5)	23 (6) 21,374 (7)	64,950
Medical Supplies & Oxygen	429,504	24,887 (4) 4,098 (5)	158,517 (7)	299,972
Taxes and Insurance	122,539	-	9,797 (3)	112,742
Legal Fees	-	-	-	-



**INTEGRATED HEALTH SERVICES OF CHARLESTON AT DRIFTWOOD**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-DRF-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	465,206	56,788 (8)	17,033 (1) <u>63,416 (6)</u>	441,545
Subtotal	5,942,686	220,495	846,281	5,316,900
Ancillary	291,424	-	-	291,424
Non-Allowable	1,451,987	17,033 (1) 9,797 (3) 22,548 (5) 427,017 (6) <u>206,179 (7)</u>	56,788 (8)	2,077,773
Total Operating Expenses	<u>\$7,686,097</u>	<u>\$903,069</u>	<u>\$903,069</u>	<u>\$7,686,097</u>
Total Patient Days	<u>56,648</u>	<u>-</u>	<u>-</u>	<u>56,648</u>
Total Beds	<u>160</u>			

# INTEGRATED HEALTH SERVICES OF CHARLESTON AT DRIFTWOOD

Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-DRF-J8

ADJUSTMENT		<u>DEBIT</u>	<u>CREDIT</u>
<u>NUMBER</u>	<u>ACCOUNT TITLE</u>		
1	Accumulated Depreciation	\$68,849	
	Nonallowable	17,033	
	Other Equity	10,453	
	Fixed Assets		\$79,302
	Cost of Capital		17,033
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Administration	69,319	
	Nursing		69,319
	To reclassify MSU Development cost to the proper cost center		
	HIM-15-1, Section 2304		
	DH&HS Expense Checklist		
3	Nonallowable	9,797	
	Taxes, Insurance & Licenses		9,797
	To adjust liability insurance to provider amount		
	HIM-15-1, Section 2304		
4	Adminstration	27,160	
	Medical Records	24,864	
	Medical Supplies & Oxygen	24,887	
	Nursing		49,751
	Restorative		27,160
	To reclassify salaries to the proper cost center		
	HIM-15-1, Sections 2304 and 2313.2		
	DH&HS Expense Checklist		

# INTEGRATED HEALTH SERVICES OF CHARLESTON AT DRIFTWOOD

Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-DRF-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	22,548	
	Administration	2,004	
	Medical Records	3,858	
	Medical Supplies & Oxygen	4,098	
	Special Services	7,517	
	Nursing		28,918
	Restorative		6,076
	Dietary		2,492
	Laundry		283
	Housekeeping		1,752
	Maintenance		504
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
6	Nonallowable	427,017	
	Administrative		363,578
	Therapy		23
	Cost of Capital		63,416
	To adjust home office expense		
	HIM-15-1, Section 2304		
7	Nonallowable	206,179	
	Nursing		26,288
	Medical Supplies & Oxygen		158,517
	Special Services		21,374
	To remove special (ancillary) services reimbursed by Medicare		
	State Plan, Attachment 4.19D		

# INTEGRATED HEALTH SERVICES OF CHARLESTON AT DRIFTWOOD

Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-DRF-J8

ADJUSTMENT NUMBER	ACCOUNT TITLE	<u>DEBIT</u>	<u>CREDIT</u>
8	Cost of Capital Nonallowable	56,788	56,788
	To adjust capital return State Plan, Attachment 4.19D		
		<u>          </u>	<u>          </u>
	TOTAL ADJUSTMENTS	\$ <u>982,371</u>	\$ <u>982,371</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**INTEGRATED HEALTH SERVICES OF CHARLESTON AT DRIFTWOOD**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-DRF-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>160</u>
Deemed Asset Value	5,620,800
Improvements Since 1981	963,800
Accumulated Depreciation at 09/30/99	<u>(2,065,065)</u>
Deemed Depreciated Value	4,519,535
Market Rate of Return	<u>.063</u>
Total Annual Return	284,731
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	284,731
Depreciation Expense	162,008
Amortization Expense	-
Capital Related Income Offsets	(5,194)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	441,545
Total Patient Days (Minimum 96% Occupancy)	<u>56,648</u>
Cost of Capital Per Diem	\$ <u><u>7.79</u></u>

**INTEGRATED HEALTH SERVICES OF CHARLESTON AT DRIFTWOOD**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-DRF-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>
Reimbursable Cost of Capital Per Diem	\$ 7.79
Cost of Capital Per Diem	<u>7.79</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. The FY 2002-03 Appropriation Act requires that this information on printing costs be added to the document.